

Tucker Foote
Head of U.S. Government Affairs
Vice President, Public Policy

MasterCard Worldwide
1401 Eye Street NW, Suite 210
Washington, DC 20005-2225
tel 1-202-414-8014
fax 1-202-414-8010
tucker_foote@mastercard.com
www.mastercard.com



September 26, 2012

The Honorable Sam Johnson
Chairman
House Committee on Ways and Means Subcommittee on Social Security
1101 Longworth House Office Building
Washington, D.C. 20515

Dear Chairman Johnson:

MasterCard Worldwide (“MasterCard”)¹ submits this letter for the hearing record in connection with the September 12, 2012, Subcommittee hearing on the direct deposit of Social Security benefits. Our submission is intended to assist the Subcommittee in understanding the many advantages prepaid cards offer over checks as a method for disbursing Social Security benefits. Before explaining those advantages, we thought it would be helpful to provide some basic information about MasterCard.

Background on MasterCard

MasterCard is a global payments and technology company that connects billions of consumers, thousands of financial institutions, and millions of merchants, governments and businesses worldwide, enabling them to use electronic forms of payment instead of cash and checks. MasterCard does not issue payment cards of any type, nor does it contract with merchants to accept those cards. In the MasterCard payment system, those functions are performed by numerous financial institutions. MasterCard refers to the financial institutions that issue payment cards bearing the MasterCard brands as “issuers.” MasterCard refers to the financial institutions that enter into contracts with merchants to accept MasterCard-branded payment cards as “acquirers.” MasterCard owns the MasterCard family of brands and licenses issuers and acquirers to use those brands in conducting payment transactions. MasterCard also

¹ MasterCard advances global commerce by providing a critical link among financial institutions and millions of businesses, cardholders and merchants worldwide. In the company’s roles as a franchisor, processor and advisor, MasterCard develops and markets secure, convenient and rewarding payment solutions, seamlessly processes more than 27 billion payments each year, and provides analysis and consulting services that drive business growth for its banking customers and merchants. With more than one billion cards issued through its family of brands, including MasterCard®, Maestro® and Cirrus®, MasterCard serves consumers and businesses in more than 210 countries and territories, and is a partner to more than 20,000 of the world’s leading financial institutions. With more than 33.3 million acceptance locations worldwide, no payment card is more widely accepted than MasterCard.

provides the networks through which issuers and acquirers can interact to complete payment transactions, and sets certain rules regarding those interactions.

Advantages of Prepaid Cards for Delivering Government Benefits

Government agencies at all levels, including agencies at the federal level, are choosing to disburse funds through prepaid cards. Prepaid cards provide extraordinary advantages to governments and government benefits recipients.

For governments, prepaid cards significantly lower program costs versus checks. For example, the Department of the Treasury has estimated that the cost of mailing a Social Security check to a benefit recipient is more than \$1.00 while the cost of depositing those same funds to an account associated with a MasterCard-branded Direct Express card is about 10 cents. That savings is projected by the Treasury Department to amount to \$1 billion over the first ten years of the Direct Express program.² Prepaid cards also allow governments to operate in a more environmentally friendly way by significantly decreasing paper usage. Moreover, by delivering benefits through prepaid cards, governments have an increased ability to impose administrative controls on funds usage (e.g., the ability to limit purchase transactions to certain merchant categories) as may be required by the laws under which benefit programs are funded.

The value of prepaid cards to benefits recipients also far surpasses what is available with check payments. Prepaid cards eliminate the need for benefits recipients to conduct business with check cashers and incur check-cashing fees. Rather, by using a prepaid card, benefits recipients can obtain cash without a fee in a cash-back retail transaction at a merchant and can withdraw cash from an ATM in a surcharge-free transaction. Also, prepaid cards eliminate the risk to personal safety and the risk of loss of funds that are consequences of carrying cash from the check casher. With prepaid cards, benefits recipients have the advantage of payment card network zero-liability policies that protect cardholders against unauthorized use that can result from a lost or stolen card. In addition to convenience and secure cash access, prepaid cards provide benefits recipients the ability to pay bills electronically, engage in online transactions and otherwise participate in the modern electronic economy in ways that they might not have had otherwise. Benefits recipients recognize the clear advantages of prepaid cards over checks. In a recent independent survey of Direct Express participants that was commissioned by MasterCard on behalf of the Department of the Treasury, 95% of respondents reported that they are satisfied with the prepaid card, 97% of respondents said that the prepaid card is a safer way to receive their benefits than cash, 93% said that the card is more convenient than cash to make purchases, 91% said that the card makes it easier to pay bills, and 85% said that the card helps them manage their money.

² Financial Management Service, a bureau of the U.S. Department of the Treasury, December 2009

Tucker Foote
Head of U.S. Government Affairs
Vice President, Public Policy

MasterCard Worldwide
1401 Eye Street NW, Suite 210
Washington, DC 20005-2225
tel 1-202-414-8014
fax 1-202-414-8010
tucker_foote@mastercard.com
www.mastercard.com



MasterCard Supports Government-Administered Prepaid Card Programs

MasterCard supports efforts that pave the way for broader use of electronic forms of payment, including the use of prepaid cards, because electronic payment methods offer significant advantages to consumers, businesses, and governments over paper-based methods of payment such as cash and checks. When government-to-consumer payments move from paper checks to prepaid cards, governments and benefit recipients both win. The State of Mississippi, for example, reduced costs by \$1.3M annually after switching from paper checks to MasterCard prepaid cards, while the Commonwealth of Virginia Debit MasterCard program eliminated the need to issue four million paper checks per year, with an annual savings more than \$2.5M.

MasterCard appreciates the opportunity to include its views as part of the hearing record. We would be pleased to meet with you, your staff, or other Members of the Subcommittee if there are any follow-up questions related to our submission.

Sincerely,

A handwritten signature in blue ink, appearing to read "Tucker Foote", with a long horizontal flourish extending to the right.

Tucker Foote